

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

Charter Township of Green  
Mecosta County, Michigan  
**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)  
Year ended March 31, 2005

## ELECTED OFFICIALS

Trustees ..... Barbara Waldron  
James Peek  
Gary Todd  
Donald Grant

## Charter Township of Green

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Charter Township of Green  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
March 31, 2005

As management of the Charter Township of Green, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Charter Township of Green for the fiscal year ended March 31, 2005. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter. To those familiar with this prior year financial statements or just new to this document, it is important to know that the Charter Township of Green is presenting this analysis along with these statements in a new format prescribed by the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34).

## **FINANCIAL HIGHLIGHTS**

The Township's General Fund balance increased by \$72,000. This increase is due to a slight rise in property tax revenue and a decrease in roadwork cost.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Charter Township of Green's basic financial statements are comprised of three components: 1) governmental-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-wide Financial Statements**

The governmental-wide financial statements are designed to provide the reader with a broad overview of the Charter Township of Green's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Charter Township of Green's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Charter Township of Green is improving or deteriorating.

The Statement of Activities presents information showing how the Charter Township of Green's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Charter Township of Green, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Charter Township of Green can be divided into three categories—governmental funds, proprietary funds and fiduciary funds.

Charter Township of Green  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
March 31, 2005

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Charter Township of Green maintains an individual governmental fund. Information is presented separately for this in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered a major fund.

**Proprietary Funds.** The Charter Township of Green has one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its sewer operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The Enterprise Fund financial statements provided separate information for the Sewer Fund which is a major fund.

**Fiduciary Funds.** Fiduciary Funds are used to account for resources held for the benefit of parties outside the Charter Township of Green. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Charter Township of Green's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Charter Township of Green budgetary information as it relates to the actual expenditures for the General Fund.

Charter Township of Green  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
March 31, 2005

**Government-wide Financial Analysis**

The first table presented below is a summary of the government-wide statement of net assets for the Charter Township of Green. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of March 31, 2005, the Charter Township of Green's net assets from governmental activities totaled \$990,200 (49%) and \$1,015,310 (51%) business-type activities, creating a total government-wide net assets total of \$2,005,510. Since this is the first year the Charter Township of Green has prepared financial statements following GASB 34, comparisons to fiscal year 2004 are not available. However, these comparison schedules will be provided in future years.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., streets, buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Charter Township of Green's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities actually depict a fund balance of \$771,187. This represents the amount of discretionary resources that can be used for general governmental operations.

The business-type activities show a total of \$1,015,310 in net assets and \$361,705 (36%) in unrestricted net assets.

**Charter Township of Green Net Assets**

	Governmental Activities 2005	Business-type Activities 2005	Total
Current assets and other assets	\$ 771,187	\$ 410,693	\$ 1,181,880
Capital assets	219,013	634,776	853,789
Total assets	<u>990,200</u>	<u>1,045,469</u>	<u>2,035,669</u>
Current liabilities	<u>-</u>	<u>30,159</u>	<u>30,159</u>
Net assets			
Invested in capital assets	219,013	634,776	853,789
Restricted	-	18,829	18,829
Unrestricted	771,187	361,705	1,132,892
Total net assets	<u>\$ 990,200</u>	<u>\$ 1,015,310</u>	<u>\$ 2,005,510</u>

Charter Township of Green  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 March 31, 2005

**Governmental Activities**

For the 2005 fiscal year, governmental activities increased by \$76,244. The net assets for business-type activities decreased by \$17,445 or 2%, during 2005.

**Charter Township of Green Change in Net Assets**

	Governmental Activities 2005	Business- type Activities 2005	Total
<b>Revenues:</b>			
Program revenues			
Charges for services	\$ 7,549	\$ 75,812	\$ 83,361
General revenues			
Property taxes	91,034	-	91,034
Grants and contributions not restricted	229,804	-	229,804
Unrestricted investment earnings	8,482	7,331	15,813
Miscellaneous	7,858	4,665	12,523
<b>Total revenues</b>	<u>344,727</u>	<u>87,808</u>	<u>432,535</u>
<b>Expenses:</b>			
General government	171,799	-	171,799
Public safety	60,100	-	60,100
Public works	29,716	-	29,716
Community and economic development	738	-	738
Culture and recreation	6,130	-	6,130
Sewer operations	-	105,253	105,253
<b>Total expenses</b>	<u>268,483</u>	<u>105,253</u>	<u>373,736</u>
Increase in net assets	76,244	(17,445)	58,799
Net assets – April 1, 2004	913,956	1,032,755	1,946,711
<b>Net Assets – March 31, 2005</b>	<u><u>\$ 990,200</u></u>	<u><u>\$ 1,015,310</u></u>	<u><u>\$ 2,005,510</u></u>



Charter Township of Green  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
March 31, 2005

**Financial Analysis of the Government's Funds**

As stated earlier in this discussion and analysis, the Charter Township of Green uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Charter Township of Green governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2005 fiscal year, the Charter Township of Green governmental funds reported a unreserved fund balance of \$771,187 of which 100% is unrestricted and unreserved.

The Charter Township of Green's proprietary funds provide the same type of information found in the governmental financial statements, but in more detail. Unrestricted net assets of the Sewer Fund decreased by \$17,445.

**General Fund Budget**

During the current fiscal year, the Charter Township of Green made a few amendments to its original budget. The most significant of those is listed below:

- Amended the capital outlay budget \$8,400 for purchase of new copier for the office.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- Property taxes had actual receipts of 20% more than budgeted due to a millage renewal.
- Contracted services for road constructions were lower than budget due to fewer projects being completed than planned.

**Capital Assets.**

The Charter Township of Green investment in capital assets for its governmental and business-type activities as of March 31, 2005 totaled \$853,789 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery, equipment, plants and vehicles.

Major capital asset events during the current fiscal year included the following:

- Purchase of copy machine for the township office for the amount of \$8,172.
- Land improvements to the Stone Hatchery Park area in the amount of \$4,075.

Charter Township of Green  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
March 31, 2005

**Charter Township of Green Capital Assets  
(Net of Accumulated Depreciation)**

	Governmental Activities 2005	Business-type Activities 2005	Total
Land	\$ 106,765	\$ -	\$ 106,765
Buildings and improvements	97,685	-	97,685
Plants and systems	-	634,771	634,771
Equipment	14,563	-	14,563
Total	\$ <u>219,013</u>	\$ <u>634,771</u>	\$ <u>853,784</u>

Additional information on the Charter Township of Green's capital assets can be found in Note E of the "Notes to the Financial Statements" of this report.

### **General Economic Overview**

The Charter Township of Green has set fiscal accountability and financial stability as its number one priority.

The Charter Township of Green's General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised over 92% of the General Fund revenue sources. In fiscal 2006, state revenue sharing is expected to continue to decline. Property tax revenues will remain flat at best.

The Township Board is somewhat cautious on expenditures of the Township due to the economic and uncertainties of Mecosta County and Michigan with regards to state revenue sharing. The employment situation for this area is a concern for caution and conservativeness with the Township spending.

However, Charter Township of Green is optimistic for future in economic growth, development including several new subdivisions and proposed refurbishing and development of the Stone Hatchery Community Park.

### **Requests for Information**

This financial report is designed to provide a general overview of the Charter Township of Green's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Charter Township of Green, 21431 Northland Drive, Paris, Michigan 49338, (231) 796-5086.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

May 27, 2005

To the Township Board  
Charter Township of Green  
Mecosta County  
Paris, Michigan

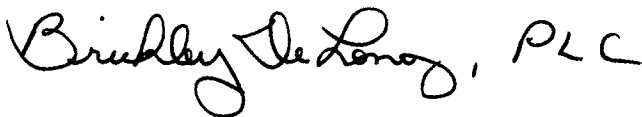
We have audited the accompanying financial statements of the governmental activities, the business-type activities and major fund of the Charter Township of Green as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charter Township of Green's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and major fund of the Charter Township of Green, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Charter Township of Green has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of March 31, 2005.

The management's discussion and analysis and budgetary comparison information on pages i through vi and 23 are not a required part of the basic financial statement but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.



Charter Township of Green  
**STATEMENT OF NET ASSETS**  
March 31, 2005

ASSETS

	Governmental activities	Business-type activities	Total
CURRENT ASSETS			
Cash and investments	\$ 729,087	\$ 389,765	\$ 1,118,852
Receivables			
Accounts	-	2,099	2,099
Taxes	7,690	-	7,690
Due from other governmental units	34,410	-	34,410
Total current assets	771,187	391,864	1,163,051
NONCURRENT ASSETS			
Restricted assets	-	18,829	18,829
Capital assets, net of depreciation			
Nondepreciable	106,765	-	106,765
Depreciable	112,248	634,776	747,024
Total noncurrent assets	219,013	634,776	853,789
Total assets	990,200	1,045,469	2,035,669

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts payable and accrued expenses	-	11,330	11,330
Deferred revenue	-	18,829	18,829
Total liabilities	-	30,159	30,159
NET ASSETS			
Invested in capital assets	219,013	634,776	853,789
Restricted for other purposes	-	18,829	18,829
Unrestricted	771,187	361,705	1,132,892
Total net assets	\$ 990,200	\$ 1,015,310	\$ 2,005,510

The accompanying notes are an integral part of this statement.

Charter Township of Green  
**STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2005

		Program Revenue	Net (Expense) Revenue and Changes in Net Assets		
			Primary Government		
	Expenses	Charges for services	Governmental activities	Business-type activities	Total
<b><i>Functions/Programs</i></b>					
Governmental activities					
General government	\$ 171,799	\$ 7,549	\$ (164,250)	\$ -	\$ (164,250)
Public safety	60,100	-	(60,100)	-	(60,100)
Public works	29,716	-	(29,716)	-	(29,716)
Community and economic development	738	-	(738)	-	(738)
Culture and recreation	6,130	-	(6,130)	-	(6,130)
Total governmental activities	268,483	7,549	(260,934)	-	(260,934)
Business-type activities:					
Sewer operations	105,253	75,812	-	(29,441)	(29,441)
Total government	\$ 373,736	\$ 83,361	(260,934)	(29,441)	(290,375)
General revenues:					
Property taxes, levied for general purposes			91,034	-	91,034
Grants and contributions not restricted to specific programs			229,804	-	229,804
Unrestricted investment earnings			8,482	7,331	15,813
Miscellaneous			7,858	4,665	12,523
Total general revenues			337,178	11,996	349,174
Change in net assets			76,244	(17,445)	58,799
Net assets at April 1, 2004			913,956	1,032,755	1,946,711
Net assets at March 31, 2005			\$ 990,200	\$ 1,015,310	\$ 2,005,510

The accompanying notes are an integral part of this statement.

Charter Township of Green  
**BALANCE SHEET**  
General Fund  
March 31, 2005

	General Fund
ASSETS	
Cash and investments	\$ 729,087
Taxes receivable	7,690
Due from other governmental units	<u>34,410</u>
Total assets	<u><u>\$ 771,187</u></u>
FUND BALANCE	
Unreserved	<u>\$ 771,187</u>
Total fund balance	<u><u>\$ 771,187</u></u>

The accompanying notes are an integral part of this statement.

Charter Township of Green  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**  
March 31, 2005

Total fund balance—governmental funds	\$ 771,187
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Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets used in governmental activities are not financial resources and  
are not reported in the governmental funds.

Cost of capital assets	\$ 303,619	
Accumulated depreciation	<u>(84,606)</u>	<u>219,013</u>

Net assets of governmental activities in the Statement of Net Assets	\$ <u><u>990,200</u></u>
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The accompanying notes are an integral part of this statement.

Charter Township of Green  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
 General Fund  
 For the year ended March 31, 2005

	General Fund
REVENUES	
Property taxes	\$ 87,861
Licenses and permits	164
Intergovernmental revenues - state	229,804
Charges for services	5,835
Investment earnings	7,635
Other	13,428
Total revenues	344,727
EXPENDITURES	
Current	
General government	150,743
Public safety	60,100
Public works	29,716
Community and economic development	650
Culture and recreation	6,130
Other governmental functions	13,141
Capital outlay	12,247
Total expenditures	272,727
Net change in fund balance	72,000
Fund balance at April 1, 2004	699,187
Fund balance at March 31, 2005	\$ 771,187

The accompanying notes are an integral part of this statement.



Charter Township of Green  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2005

Net change in fund balances—total governmental funds: \$ 72,000

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (8,003)	
Capital outlay	<u>12,247</u>	<u>4,244</u>
Change in net assets of governmental activities		\$ <u><u>76,244</u></u>

The accompanying notes are an integral part of this statement.

Charter Township of Green  
**STATEMENT OF NET ASSETS**  
 Sewer Fund  
 March 31, 2005

ASSETS

CURRENT ASSETS

Cash and investments	\$ 389,765
Accounts receivable	<u>2,099</u>
Total current assets	391,864

NONCURRENT ASSETS

Restricted assets	18,829
Capital assets	
Depreciable assets	1,079,701
Less accumulated depreciation	<u>(444,925)</u>
Total noncurrent assets	<u>653,605</u>
Total assets	1,045,469

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	11,330
Deferred revenue	<u>18,829</u>
Total liabilities	<u>30,159</u>

NET ASSETS

Invested in capital assets, net of related debt	634,776
Restricted	18,829
Unrestricted	<u>361,705</u>
Total net assets	<u><u>\$ 1,015,310</u></u>

The accompanying notes are an integral part of this statement.

Charter Township of Green  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
Sewer Fund  
For the year ended March 31, 2005

REVENUES	
Charges for services	\$ 80,476
OPERATING EXPENSES	
Operations	85,516
Depreciation and amortization	<u>19,736</u>
Total operating expenses	<u>105,252</u>
Operating loss	(24,776)
NONOPERATING REVENUES	
Investment earnings	<u>7,331</u>
Change in net assets	(17,445)
Total net assets at April 1, 2004	<u>1,032,755</u>
Total net assets at March 31, 2005	<u><u>\$ 1,015,310</u></u>

The accompanying notes are an integral part of this statement.

Charter Township of Green  
**STATEMENT OF CASH FLOWS**  
 Sewer Fund  
 For the year ended March 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 117,335
Payments to suppliers	(72,638)
Payments to employees	<u>(12,893)</u>
Net cash provided by operating activities	31,804

CASH FLOW FROM INVESTING ACTIVITIES

Investment earnings	<u>7,331</u>
Net increase in cash and cash equivalents	39,135

Cash and investments at April 1, 2004	<u>369,459</u>
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Cash and investments at March 31, 2005	<u><u>\$ 408,594</u></u>
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Cash and investments at March 31, 2005 consist of:

Unrestricted	\$ 389,765
Restricted	<u>18,829</u>

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ (24,776)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	19,736
Change in assets and liabilities	
Receivables, net	18,030
Accounts payable	(15)
Deferred revenue	<u>18,829</u>
Net cash provided by operating activities	<u><u>\$ 31,804</u></u>

The accompanying notes are an integral part of this statement.

Charter Township of Green  
**STATEMENT OF FIDUCIARY NET ASSETS**  
 Fiduciary Funds  
 March 31, 2005

	Pension Trust Fund	<u>Agency Funds</u> Tax Collection Fund
<b>ASSETS</b>		
Cash and investments	\$ <u>212,701</u>	\$ <u>-</u>
 <b>NET ASSETS</b>		
Held in trust for pension benefits and other purposes	\$ <u>212,701</u>	\$ <u>-</u>

The accompanying notes are an integral part of this statement.

Charter Township of Green  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
 Fiduciary Funds  
 For the year ended March 31, 2005

	Pension Trust Fund
	<u>          </u>
ADDITIONS	
Contributions	
Employer	\$ 17,263
Employee	<u>1,046</u>
Total contributions	<u>18,309</u>
Investment earnings	
Net increase in fair value of investments	17,591
Interest and dividends	<u>248</u>
Total net investment earnings	<u>17,839</u>
Total additions	36,148
DEDUCTIONS	
Withdrawals	7,795
Fees	<u>3,166</u>
Total deductions	<u>10,961</u>
Change in net assets	25,187
Net assets at April 1, 2004	<u>187,514</u>
Net assets at March 31, 2005	<u><u>\$ 212,701</u></u>

The accompanying notes are an integral part of this statement.

Charter Township of Green  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Charter Township of Green (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Effective April 1, 2004, the Township adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37 and No. 38. These statements primarily establish standards for external financial reporting for state and local governments. Certain significant changes in these statements include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds.
- Expansion of footnote disclosures.
- These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

The beginning net assets restated for the effects of implementation of GASB Statement No. 34 are as follows:

Fund balances at April 1, 2004— governmental funds	\$ 1,731,942
Capital assets, net	<u>214,769</u>
Restated net assets at April 1, 2004	<u>\$ 1,946,711</u>

**1. Reporting Entity**

Charter Township of Green (Township) is a general law township governed by an elected seven-member board.

**2. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Charter Township of Green  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**2. Government-Wide and Fund Financial Statements—Continued**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**3. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.



Charter Township of Green  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**3. Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued**

The Township reports the following major proprietary fund:

The Sewer Fund operates the Township's sewage pumping station, collection systems and pays the City of Big Rapids for sewer treatment.

Additionally, the Township reports the following fund type:

The Pension Trust Fund accounts for the activities of the Township's employee's retirement plan, which accumulates resources for pension benefit payments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for the Proprietary Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, including tap fees intended to recover the cost of connecting new customers to the system.

When both restricted and unrestricted resources are available for use, it is the Township's policy is to use restricted resources first, then unrestricted resources as they are needed.

**4. Assets, Liabilities and Net Assets or Equity**

**a. Deposits and Investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds. All investments are stated at fair value.

Charter Township of Green  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**4. Assets, Liabilities and Net Assets or Equity—Continued**

**a. Deposits and Investments**

Pension plan investments are reported at fair value. The Township's pension trust investments are held in trust by the investment fiduciary, John Hancock USA Group Pension Services. Michigan Compiled Laws, Section 38.1132, authorizes the Township's plan to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts obligations of a specified nature, and real or personal property.

**b. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit and are due without penalty on or before February 14. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 state taxable value for real/personal property of the Township totaled approximately \$64,643,500. The ad valorem taxes levied consisted of 1.25 mills for the Township's operating purposes. This amount is recognized in the General Fund financial statement.

**c. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Charter Township of Green  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**4. Assets, Liabilities and Net Assets or Equity—Continued**

**d. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., sewer system assets), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Equipment	5-15
Land improvements	10-15
Plants and systems	50

**e. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**f. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Charter Township of Green  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2005

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**1. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopt project-length budgets, and the permanent fund, which is not budgeted. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. In January, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Not later than the first Tuesday in March, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

**NOTE C—DEPOSITS AND INVESTMENTS**

**1. Deposits**

The Township's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits collateralized with securities held by the pledging financial institutions' trust department or agent in the entity's name. Category 3 includes deposits which are uncollateralized.

As of March 31, 2005, the Township's carrying amount of deposits was \$505,130, and the bank balance was \$512,076. Of the bank balance, \$155,664 was covered by federal depository insurance. The remaining \$356,412 was uninsured and uncollateralized.

Charter Township of Green  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2005

**NOTE C—DEPOSITS AND INVESTMENTS—Continued**

**2. Investments**

As of March 31, 2005, the Township's investments represented holdings in investment pools, certificates of deposit with original maturities of longer than three months and mutual funds. During the year ended March 31, 2005, the Township's investments were only in these types of investments.

The Township's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered, or the securities held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name. Mutual funds are not categorized. The state-approved investment pools are not categorized as they are synonymous with mutual funds. As of March 31, 2005, the Township's fair value in those mutual funds and investment pools was \$704,731.

	<u>Category</u>			<u>Total</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Certificates of deposit	\$ <u>100,000</u>	\$ <u>40,521</u>	\$ <u>-</u>	\$ <u>140,521</u>

The composition of pension trust fund investments at fair value is included in the previous paragraph and shown in the following table:

Money market mutual funds	\$ 312
Managed domestic stock funds	<u>212,389</u>
	\$ <u>212,701</u>

**NOTE D—RESTRICTED ASSETS**

The restricted asset of \$18,829 in the Sewer Fund represents deposits made by a developer to pay the cost of future sewer connection inspection costs.

Charter Township of Green  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2005

**NOTE E—CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2005 was as follows:

	Balance April 1, 2004	<u>Additions</u>	<u>Deductions</u>	Balance March 31, 2005
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 106,765	\$ -	\$ -	\$ 106,765
<b>Capital assets, being depreciated:</b>				
Buildings and other improvements	160,818	4,075	-	164,893
Equipment	<u>23,789</u>	<u>8,172</u>	<u>-</u>	<u>31,961</u>
Total capital assets, being depreciated	184,607	12,247	-	196,854
Less accumulated depreciation for:				
Buildings and other improvements	62,119	5,089	-	67,208
Equipment	<u>14,484</u>	<u>2,914</u>	<u>-</u>	<u>17,398</u>
Total accumulated depreciation	<u>76,603</u>	<u>8,003</u>	<u>-</u>	<u>84,606</u>
Total capital assets, being depreciated, net	<u>108,004</u>	<u>4,244</u>	<u>-</u>	<u>112,248</u>
Capital assets, net	<u>\$ 214,769</u>	<u>\$ 4,244</u>	<u>\$ -</u>	<u>\$ 219,013</u>
<b>Business-type activities:</b>				
<b>Capital assets, being depreciated:</b>				
Plants and systems	\$ 1,079,701	\$ -	\$ -	\$ 1,079,701
Less accumulated depreciation	<u>425,189</u>	<u>19,736</u>	<u>-</u>	<u>444,925</u>
Capital assets, net	<u>\$ 654,512</u>	<u>\$ (19,736)</u>	<u>\$ -</u>	<u>\$ 634,776</u>

**Government activities:**

Depreciation expense of \$8,003 in the General Fund was charged to the general governmental function.

**Business-type activities:**

Depreciation expense of \$19,736 in the Enterprise Fund was charged to the sewer function.

**NOTE F—OTHER INFORMATION**

**1. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

Charter Township of Green  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2005

**NOTE F—OTHER INFORMATION—Continued**

**2. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

**NOTE G—PENSION PLAN**

The Township provides pension benefits for all of its board members and full-time employees through a money purchase plan. The plan requires the Township to contribute 20 percent of covered payroll. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. The Plan is administered through John Hancock USA Group Pension Services, an independent third party, and contributions are based on annual earnings. For the year ended March 31, 2005, the contribution to the Plan by the Township was approximately \$17,000.

**NOTE H—ECONOMIC DEPENDENCY**

The State of Michigan shared revenues represent approximately 67 percent of General Fund revenues.

## **REQUIRED SUPPLEMENTAL INFORMATION**



Charter Township of Green  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
General Fund  
For the year ended March 31, 2005

	Budgeted amounts		Actual	Variance with final budget - positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 70,555	\$ 70,555	\$ 87,861	\$ 17,306
Licenses and permits	200	200	164	(36)
Intergovernmental revenues - state	210,000	179,929	229,804	49,875
Charges for services	1,700	1,700	5,835	4,135
Investment earnings	6,000	6,000	7,635	1,635
Other	8,380	8,380	13,428	5,048
Total revenues	<u>296,835</u>	<u>266,764</u>	<u>344,727</u>	<u>77,963</u>
EXPENDITURES				
Current				
General government				
Legislative	34,530	34,530	31,396	3,134
Supervisor	8,904	8,904	8,756	148
Elections	4,656	4,656	3,998	658
Assessing	24,917	24,745	24,613	132
Clerk	23,619	23,619	23,538	81
Board of Review	1,175	1,178	584	594
Treasurer	22,836	22,836	21,273	1,563
Townhall	15,100	15,100	16,381	(1,281)
Cemetery	15,045	16,410	16,607	(197)
Professional	18,600	18,300	3,597	14,703
Other governmental	21,414	21,586	13,141	8,445
Public Safety				
Fire contract	60,100	60,100	60,100	-
Public works				
Highways	63,100	63,100	29,716	33,384
Community and economic development				
Planning	3,503	3,503	650	2,853
Culture and recreation				
Recreation and Parks	5,800	5,800	6,130	(330)
Capital outlay	<u>27,501</u>	<u>34,836</u>	<u>12,247</u>	<u>22,589</u>
Total expenditures	<u>350,800</u>	<u>359,203</u>	<u>272,727</u>	<u>86,476</u>
Excess (deficiency) of revenues over expenditures	(53,965)	(92,439)	72,000	164,439
OTHER FINANCING SOURCES				
Transfers in	<u>250</u>	<u>250</u>	<u>-</u>	<u>(250)</u>
Net change in fund balance	<u>\$ (53,715)</u>	<u>\$ (92,189)</u>	72,000	<u>\$ 164,189</u>
Fund balance at April 1, 2004			699,187	
Fund balance at March 31, 2005			<u>\$ 771,187</u>	